

# **State Shared Taxes in Tennessee**

A Presentation to the House Finance, Ways and Means Committee

## **Appendix: Distributions between State and Local Governments**

### **Alcoholic Beverage Tax**

82.5% is distributed to the general fund and 17.5% is distributed to the counties. Before the revenues are distributed to the counties each month, \$16,000 per month is deducted and apportioned to UT for CTAS.

### **Beer Excise Tax**

21% is distributed to counties and municipalities, and .41% is distributed to the Department of Mental Health to assist the local governments in carrying out the Comprehensive Alcohol and Drug Treatment Act. The remainder of the tax revenue is remitted to the state's general fund.

### **Wholesale Beer Tax**

Counties and municipalities receive revenue from wholesale sales within their limits. .5% of the gross tax is remitted to the Department of Revenue for administrative costs.

### **Corporate Excise Tax**

The tax revenue is divided between the county and municipality where the office is maintained in the same proportion as the property tax rates of each for the year second preceding the year in which the corporate excise tax distribution is made shall bear to the total of the property tax rates. Any funds remaining after the distributions to the local governments are remitted to the state's general fund.

### **Gasoline Tax**

.1074% of the revenues (excluding the revenue from the 1989 tax increase) are apportioned to the wildlife resources fund, 28.6% of the revenues are distributed to the counties, 14.3% of the revenues are distributed to the municipalities, and the amounts required to be paid to the state sinking fund pursuant to Title 9, Chapter 9. Any funds remaining after the distributions above are remitted to the state highway fund. Of the amounts designated for the highway fund, counties and municipalities, 1% shall be subtracted from the amount designated for counties, 1% shall be subtracted from the amount designated for municipalities and 2% shall be subtracted from the amount designated for the highway and distributed to the state's general fund. Revenues from the 1985 tax increases will be distributed as follows: 2 cents of such revenues shall be apportioned as follows 28.6% of the revenues are distributed to the counties, 14.3% of the revenues are distributed to the municipalities, and the amounts required to be paid to the state sinking fund pursuant to Title 9, Chapter 9. Any funds remaining after the

distributions above are remitted to the state highway fund. Of the amounts designated for the highway fund, counties and municipalities, 1% shall be subtracted from the amount designated for counties, 1% shall be subtracted from the amount designated for municipalities and 2% shall be subtracted from the amount designated for the highway and distributed to the state's general fund; 1 cent of such revenues from the 1985 tax increase shall be apportioned to the counties and municipalities minus 1% which shall be subtracted from both the county and municipal distributions and remitted to the general fund for administrative expenses. Revenues from the 1989 tax increase are remitted to the state highway fund.

### **Hall Income Tax**

5/8 of the revenue goes to the state general fund and 3/8 of the revenue is distributed to counties and municipalities in the state.

### **Mixed Drink Tax**

50% of the revenues go to the state general fund for education purposes and 50% to the local political subdivisions.

### **Motor Vehicle Fuel Tax**

**Liquefied Gas** - 1.58% is distributed to the general fund. 42.42% is distributed to the local governments and 56% goes to the highway fund. Revenues from the 1986 increase in taxes is distributed as follows: revenue from the first three cents per gallon of the tax increases goes to the state sinking fund and the highway fund; revenue from one cent of the tax increases goes to the local governments. 1% shall be subtracted from both the counties' and municipalities' distribution and remitted to the general fund. Revenue from the 1989 tax increase goes to the state highway fund. **Diesel** - 1.62% of the revenues go to the state's general fund, 37.13% of the revenues go to the counties and the municipalities and 61.25% of the revenues go to the highway fund. Revenues from the tax increases of 1986 and 1989 go to the state.

### **Sales and Use Tax**

29.3024% of the revenues are allocated to the general fund, 65.0970% of the revenues are allocated for educational purposes, .3674% is allocated to the Department of Revenue for administrative expenses, .9185% is allocated to the state funding board for payment of principal and interest becoming due on state bonds issued by the state and 4.5925% of the revenues are allocated to municipalities. Before distributing the municipalities' share of the revenue, an amount equal to 1% of the municipalities' monthly allocation is remitted from the municipalities' share of revenues each month to UT for MTAS. All funds generated from the sales tax increase on food, services and telecommunications in 1992 are deposited in the general fund for K-12 education purposes.

### **Severance Tax – Coal**

All revenues are remitted to the county where the coal products were severed except for 3% of the tax which shall be remitted to the Department of Revenue for administrative expenses.

### **Severance Tax - Crude Oil and Natural Gas**

1/3 of revenues are distributed to the county which was the site of the wellhead for that gas or oil and 2/3 of revenues are deposited in the state's general fund.

### **Special Petroleum Tax**

98% goes to the highway fund and 2% is distributed to the general fund for administrative purposes. From the tax proceeds, a local government fund is established in the amount of \$12,017,000 which shall be distributed to the cities and counties monthly. From this fund, \$1,001,416 is distributed monthly to counties and municipalities. From the municipalities' share of funds, \$10,000 is remitted each month to UT for CGT.

### **TVA Payments in Lieu of Taxes**

Any increase in TVA payments received by the state in excess of the amount received by the state in FY 1978 from TVA will be apportioned as follows: 48.5% of the revenues goes to the state; 48.5% of the revenues go to the local governments and 3% go to the impacted local governing areas which are experiencing TVA construction activity on facilities to produce electrical power. Before distributing the funds to the local governments, \$4,462 per month is allocated to TACIR. If there are any impact funds left after the allocations to the impacted areas, the remaining funds not to exceed 30% of the total of impact funds will be allocated to UT for CTAS. If there are any remaining funds after the allocation to UT, then, the remaining funds not to exceed 40% of the total of such impact funds will be allocated to TACIR. Any remaining funds after the TACIR allocation will be distributed to the local governments.